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10 Chapter 9 Counsel for Tulare Local Healthcare District

11  
12 IN THE UNITED STATES BANKRUPTCY COURT  
13 EASTERN DISTRICT OF CALIFORNIA  
14 FRESNO DIVISION

15 In re

16 CASE NO. 17-13797

17 TULARE LOCAL HEALTHCARE  
18 DISTRICT, dba TULARE  
19 REGIONAL MEDICAL CENTER,

20 DC No.: WW-70

21 Chapter 9

22 Debtor.

23 Date: January 17, 2019

24 Time: 9:30 a.m.

25 Place: 2500 Tulare Street  
26 Fresno, CA 93721  
27 Courtroom 13

28 Judge: Honorable René Lastreto II

19  
20 DECLARATION OF DANIEL HECKATHORNE IN SUPPORT OF MOTION FOR  
21 APPROVAL OF COMPROMISE OF CONTROVERSIES  
22 (MB EQUIPMENT FINANCE, LLC AND MB FINANCIAL BANK, N.A.)

23 I, Daniel Heckathorne, declare as follows:

24 1. My name is Daniel Heckathorne. I am the Interim Chief Financial Officer  
25 of the District.

26 2. I make this declaration in support of the Motion for Approval of

27 Compromise of Controversies.

28 3. The District filed a Chapter 9 Petition on September 30, 2017.

4. The District filed an adversary proceeding bearing adversary proceeding

number 18-01008. By the adversary proceeding the District, as Plaintiff, challenged

1 the alleged unauthorized sale/leaseback of assets described in the adversary  
2 proceeding.

3 5. The District and Celtic have engaged in extensive discussions to entirely  
4 resolve the dispute.

5 6. As a result of those discussions, Celtic and the District have reached a  
6 settlement of the dispute ("Settlement").

7 7. A copy of the Settlement Agreement is attached hereto as Exhibit A.

8 8. The material provisions of this Settlement are as follows.

9 a) Payment of \$500,000 to Celtic on or before February 15, 2019.

10 b) Mutual releases between the District and Celtic;

11 c) Dismissal of the adversary proceeding;

12 d) Allowance of a general unsecured claim in favor of Celtic in the  
13 amount of \$2,500,000;

14 e) Transfer of right, title and interest of Celtic to the District in all  
15 assets subject to dispute;

16 f) Granting relief from stay to Celtic to permit it to pursue claims to  
17 certain funds seized by the District attorney for the County of Tulare  
18 with a credit of \$2.50 against the allowed unsecured claim for each  
19 \$1.00 recovered by Celtic; and

20 g) Treatment of allowed unsecured claim may not be modified by the  
21 District's Plan of Adjustment.

22 9. The Settlement entirely resolved the above described dispute as between  
23 the Parties.

24 10. The Settlement is in the best interest to the District because it will avoid  
25 the cost of continued litigation and give certainty.

26 11. The Settlement is in the best interest of creditors because the limited  
27 resources of the District can be used to pay creditors rather than the costs of continued  
28 litigation.

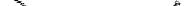
1       12. The Settlement is reasonable because the District will be relieved from the  
2 obligation of continued litigation and danger of greater liability. This will advance the  
3 administration of the District's Chapter 9 case and promote its ability to prepare a Plan  
4 of Arrangement.

5        13. I have evaluated the merits of the dispute with the advice of counsel. In  
6 doing so, I have considered the complexity of the litigation, the expenses that would be  
7 incurred in continued litigation and collection efforts and the questions of law and fact  
8 that are involved in the dispute with no guarantee of a favorable ruling for either side. In  
9 light of the above, I believe the Settlement is reasonable. The District also consulted  
10 with the creditors having consensual liens.

11        14. The elected board of directors of the District has approved this  
12 compromise by 5-0 vote.

13 I am over the age of eighteen and if I were called as a witness in connection with  
14 this proceeding I would and could testify as is set out in this Declaration.

15 I SO DECLARE under penalty of perjury under the laws of the United States of  
16 America that the foregoing is true and correct and that this declaration was executed  
17 this 4<sup>th</sup> day of January, 2019 at TULARE, California.

  
Daniel Heckathorne